

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF LOUISVILLE GAS)
AND ELECTRIC COMPANY)

CASE NO. 7799-C

O R D E R

On September 24, 1980, the Commission issued its Opinion and Order in Case No. 7799, approving certain adjustments in the rates of Louisville Gas and Electric Company, ("Applicant") and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On July 7, 1981, the Applicant filed its notice and application with the Commission stating that it had received an increase and a refund from its supplier, Texas Gas Transmission Corporation ("Texas Gas").

On June 8, 1981, the Federal Energy Regulatory Commission ("FERC") issued an order in Docket No. RP80-101, a general Texas Gas rate case, approving a stipulation and agreement which provided for a reduction in the gas rate paid by Applicant to Texas Gas since November 1, 1980. Texas Gas reflected the lower rate on its May 1981 bill rendered on June 9, 1981, thereby limiting its refund obligation to the period from November 1, 1980, through April 30, 1981. On June 15, 1981, the Applicant received a cash refund from Texas Gas of \$1,418,212.

On June 22, 1981, the Applicant received another refund from Texas Gas of \$77,668 covering a period from April 1, 1979, through March 31, 1980. This refund also resulted from the settlement of issues in Docket No. RP80-101.

The Applicant has calculated that \$1,470,397 of the refunds is applicable to the Applicant's gas department after reduction of \$25,483 for that portion applicable to gas purchased for the electric department.

The rate reduction provided for in the aforesaid FERC Order in Docket No. RP80-101, as applicable to the Applicant, consists of a 12.0 cents per Mcf reduction in the monthly demand charge and a 3.38 cents per Mcf reduction in the commodity charge, as related to the base supplier rate corresponding to the purchased gas adjustment authorized by the Commission in Case No. 7799-B. In addition, and also initiated with the May 1981 billing, Texas Gas reduced its rate by 2.0 cents per Mcf to reflect the elimination of the Louisiana First Use Tax on gas entering Louisiana from the Outer Continental Shelf. Such tax was ruled unconstitutional by the United States Supreme Court and both rate reductions were effective May 1, 1981.

Inasmuch as the filing of these charges by Texas Gas was too late for the Applicant to make timely filings with the Commission, the Applicant proposes that the composite effect of these charges for the months of May, June and July 1981, be treated as a returnable amount. The amount refundable to Applicant's customers pursuant to such treatment is estimated to be \$723,889, after reduction for that portion purchased for the electric department.

On June 29, 1981, Texas Gas filed with the FERC increased rates to become effective August 1, 1981, pursuant to Texas Gas' purchased gas adjustment clause and other FERC approved cost tracking procedures.

The effect of this Texas Gas filing, as applied to Applicant's purchased gas costs for the 12 months ended May 31, 1981, is an increase of \$23,471,388, as measured against the base supplier rate established in Case No. 7799-B. Of this total increase, \$679,458 is applicable to gas used as electric department fuel, leaving \$22,791,930 as applicable to Applicant's gas department. This increase results in a purchased gas adjustment of 40.80 cents per Mcf, or 4.080 cents per 100 cubic feet.

After reviewing this evidence of record and being advised the Commission is of the opinion and finds that:

(1) The Applicant has approximately \$2,194,286 to be refunded by a refund factor of .378 cents per 100 cubic feet until such time when as nearly as possible all the monies have been refunded to its customers.

(2) The Applicant's supplier has filed an increase in rates effective August 1, 1981, and that the annual amount of said increase applicable to Applicant's gas customers is \$22,791,930.

(3) The application filed July 7, 1981, reflected Texas Gas' rates as filed with the FERC on June 29, 1981, to be made effective August 1, 1981.

(4) That the magnitude of this filing exposes the Applicant to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(5) That the Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow the Applicant to place into effect, subject to refund, the rates set out in Finding (8).

(6) That the Applicant's adjustment in rates under the Purchased Gas Adjustment provisions approved by the Commission in its Order in Case No. 7799, dated September 24, 1980, is fair, just, reasonable and in the public interest and should be effective with gas supplied on and after the date the increased cost of wholesale gas becomes effective.

(7) That an increase of 4.080 cents per 100 cubic feet in Applicant's Purchased Gas Adjustment is proper to give effect to the Texas Gas rate increase.

(8) That the Purchased Gas Adjustment of the Applicant shall be adjusted to the following, effective August 1, 1981.

PGA corresponding to Base Supplier Rate	6.579
Refund Factor effective June 1, 1980, and continuing for twelve months or until Company has discharged its refund obligation from Case No. 7301-F	(.021)
Refund Factor effective August 1, 1980, and continuing for twelve months or until Company has discharged its refund obligation from Case No. 7301-G	(.039)
Refund Factor effective November 1, 1980, and continuing for twelve months or until Company has discharged its refund obligation from Case No. 7799-A	(.011)
Refund Factor effective August 1, 1981, and continuing for twelve months or until Company has discharged its refund obligation from Case No. 7799-C	(.378)
Total Adjustment Per 100 Cubic Feet	6.130 cents

IT IS THEREFORE ORDERED that the Applicant shall apply a refund factor of .378 cents per 100 cubic feet until such time when as nearly as possible all monies have been refunded to its customers.

IT IS FURTHER ORDERED that Applicant shall maintain its records in such manner as will enable it, or the Commission, or any of its customers to determine the amount to be refunded and to whom due in the event a refund is ordered by the Commission.

IT IS FURTHER ORDERED that within thirty (30) days after the date of this Order, the Applicant shall file with this Commission its revised tariff sheets setting out the rates approved herein.

IT IS FURTHER ORDERED that for the purpose of the future application of the purchased gas adjustment clause of Applicant the base rate for purchased gas effective August 1, 1981 shall be:

	<u>Monthly Demand Charge</u>	<u>Commodity Charge</u>
Texas Gas Transmission Corporation		
Rate G-4	\$2.93	\$275.26

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant in this case constitutes full compliance with the Commission's Order in Case No. 7799, and any other information ordinarily required to be filed under the Commission's rules is hereby waived.

Done at Frankfort, Kentucky, this 31st day of July, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vohs
Chairman

Katherine Randall
Vice Chairman

Jim S. Langer
Commissioner

ATTEST:

Secretary